



STATE OF CALIFORNIA

STATE BOARD OF EQUALIZATION

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March 10, 2009

VIA INTERNET

RAMON J. HIRSIG
Executive Director

Dear Interested Party:

The Sales and Use Tax Department (SUTD) Audit Manual (AM) is a guide in conducting sales and use tax audit for its tax auditors. It is also available to the public.

The SUTD is proposing to add new AM section 1208.50, *Solar Energy Systems*, which explains the application of tax to solar cells, solar panels, and solar modules. The full text of this new AM section is displayed on the following pages for the convenience of interested parties who may wish to submit comments or suggestions.

If you have any comments or suggestions *related to the proposed new AM section 1208.50*, you may contact the Department at AM.RevisionSuggestions@boe.ca.gov, or you may submit your comments or suggestions to:

Ms. Nini McCormack
Sales and Use Tax Department
State Board of Equalization
P.O. Box 942879
Sacramento, CA 94279-0050
Fax: (916) 322-2958

Your comments or suggestions regarding the proposed new AM section must be received by **May 10, 2009** in order to be considered by staff. Thank you for your consideration.

Sincerely,

Jeffrey L. McGuire, Chief
Tax Policy Division
Sales and Use Tax Department



SOLAR ENERGY SYSTEMS

1208.50

Regulation 1521 defines a solar energy system as any solar collector or other energy device that provides for the collection and distribution of solar energy and, where applicable, the storage of solar energy. A construction contract to furnish and install a solar energy system generally involves furnishing and installing both materials and fixtures. Refer to Regulation 1521 for a list of items in a solar energy system that are classified as materials or fixtures.

At times, contractors installing rack mounted solar panels will affix the solar panels to the rack on the ground, lift a grouping of solar panels (solar array) to the roof, and then bolt the mounting brackets to the roof. A labor charge to affix solar panels purchased in a completed condition to a mounting system is not subject to tax. Thus, when solar panels are purchased in a completed condition, it is immaterial that the labor takes place on the ground rather than the rooftop. The labor to affix those panels to the mounting system is not subject to tax.